

Washington, DC - Rep. Louise M. Slaughter (D-NY-28), Chairwoman of the House Rules Committee, today released a new report from Defense Department's Inspector General (IG) detailing the contracting processes that were used in 2005 to select the manufacturers of armored vehicles and up-armoring equipment headed to Iraq. Rep. Slaughter requested last May that the report be conducted. It will be released publicly later this week.

FOR IMMEDIATE RELEASE

Wednesday, July 11, 2007

**New DOD Inspector General Report Questions Contracting Processes
*Resulted in Heightened Risks to Soldiers in Iraq***

Washington, DC - Rep. Louise M. Slaughter (D-NY-28), Chairwoman of the House Rules Committee, today released a new report from Defense Department's Inspector General (IG) detailing the contracting processes that were used in 2005 to select the manufacturers of armored vehicles and up-armoring equipment headed to Iraq. Rep. Slaughter requested last May that the report be conducted. It will be released publicly later this week.

The report can be [viewed in its entirety here](#) .

The IG found that sole-source contracts were granted to two companies, Force Protection Inc. (FPI) and Armored Holdings Inc. (AHI), which manufacture armored vehicles and up-armoring kits, respectively. Each manufacturer fell far behind delivery schedules, while Armored Holdings also produced inadequate and faulty equipment.

Pertaining to the vehicles produced by Force Protection Inc., the Inspector General concluded that **"Late delivery of the armored vehicles to theater may hinder the war fighters' ability to execute mission requirements and increase risk to soldiers' lives."**

Pertaining to problems arising from up-armor kits manufactured by Armored Holdings Inc., the Inspector General wrote that, **"The increase kit installation time, the addition re-inspection of kits in theater, and the late deliveries increased risks to soldiers' lives."**

Rep. Slaughter has also requested an Inspector General report on the contracting processes used to select companies that have manufactured body armor for American soldiers. That report will be completed in October.

A summary of the major findings of the Inspector General's report can be found below:

Department of Defense Inspector General

Report on "Procurement Policy for Armored Vehicles"

Why the Audit: In January 2006, the *New York Times* reported that the Defense Department (DoD) sole-sourced multiple armored vehicle contracts to Force Protection, Inc. (FPI) and Armored Holdings, Inc. (AHI). The *Times* documented that both companies fell far behind in their delivery schedules, raising questions about why FPI and AHI received the contracts in the first place.

Consequently, Representative Slaughter asked the DoD Inspector General to review the procurement history for armored vehicles and determine if DoD officials followed proper contracting policies.

FINDINGS

Force Protection, Inc.

- DoD awarded 11 sole-source contracts, valued at \$416.7 million, to Force Protection, Inc., for armored vehicles.

- Senior Defense Department officials strongly supported a competitive procurement for the JERRV armored vehicle contract, but were overruled by a team overseen by the Deputy Secretary of Defense. (Page 14)

- A key Market Research document indicated that another contractor could potentially meet the contract requirements and in much less time than FPI required. (Page 16)

- DoD had not completed tests on the JERRV armored vehicle by the time the first award was given, so the test results were not available as a basis for making the sole-source award. (Page 17)

- FPI's performance on the first JERRV and Cougar contract failed to meet "Responsible Prospective Contractors General Standards," which requires that a contractor be able to comply with required or proposed delivery schedules. (Page 18)

- FPI failed to meet the delivery requirements for the first JERRV contract even though MCSC officials paid FPI \$6.7 million to help upgrade and expand their production facility to meet the urgent delivery requirements. (Page 23)

- FPI did not meet the Fair Acquisition Regulation definition of an acceptable contractor. (Page 23)

- Despite FPI's late deliveries on the first JERRV contract, FPI was awarded a second contract in May 2006 for 79 JERRVs, and a third contract in November 2006 for 200 JERRVs. (Page 23)

Armored Holdings, Inc. (Acquired Simula in 2003)

- DoD awarded Armor Holdings, Inc. 4 sole-source contracts, valued at \$1.8 billion, for armored vehicles and armor kits.

- Simula, which produced the armor kits, did not meet the Federal Acquisition Regulation requirements as a responsible prospective contractor, because it did not have the necessary production control procedures, property control systems, and quality assurance measures in place to meet contract requirements for the kits. (Pages 32-34)

- The DoD contracting official did not review and verify Simula's production capabilities and quality control processes before awarding the sole-source contract. The official could not

provide documentation of any market research or investigation of Simula's production to support sole-sourcing to Simula. (Page 34)

- Simula failed to deliver approximately 34 percent of the kits in accordance with contract delivery schedule. The DoD issued 64 corrective action requests to Simula documenting discrepancies found in the kits. (Page 35)

- The Army received incomplete kits with missing and unusable parts, increasing installation time and requiring additional reinspection of kits in theater. Incomplete kits and late delivers increased the risks to soldiers' lives. (Page 35)

- In August 2004, kits arrived in theater with two left doors instead of one right and one left door, brush guards bent the wrong way, and cracked lower brush guards. In November 2004, installation personnel in theater discovered kits with missing thick cab side plates. Also in November 2004, installation personnel in theater discovered HEMTT kits with two right side brackets for holding the grill slants in the front of the truck instead of a left side and a right side bracket. Installation personnel had to cut the brackets apart and re-weld them to put them on trucks, unnecessarily increasing installation time and using extra resources. In December 2004, HEMTT and PLS kits arrived in Germany with several missing parts, prompting the contracting officer to write a letter to Simula requesting that Simula ship the missing parts immediately. (Page 43)

###